



Hubert de Pesquidoux

President and Chief Executive Officer, Alcatel North America

July 29, 2005

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Appropriate Regulatory treatment for Broadband Access to the Internet over Cable Facilities, CS
 Docket No. 02-52
 Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, CC Docket
 No. 02-33

Chairman Martin:

I am writing to congratulate you and the Commission on your success in the *Brand X* case¹ and to urge the Commission to expeditiously move forward in classifying DSL and other wireline broadband services as "Information Services" in order to eliminate the current regulatory disparity with cable modem services. The elimination of this disparity will create a truly competitive environment among the various broadband platforms and further spur the deployment of broadband services in the U.S. As you mentioned in your July 7th *Wall Street Journal* editorial,² the deployment of broadband throughout the U.S. is your highest priority and the *Brand X* decision will pave the way for the FCC to place telephone companies on an equal footing with cable providers. Alcatel strongly supports your goals and stresses that the classification of wireline broadband services as "Information Services" is the most immediate means of furthering these goals.

The current regulatory environment subjects DSL to a variety of rules, regulations and fees from which cable modem is exempt solely due to the continuing classification of DSL as a "Telecommunications Service."³ This is particularly disturbing considering the larger market share of cable modem in the U.S. broadband access market⁴ and the competitive pricing and service benefits not fully realized by consumers due to this disparity.

¹ National Cable & Telecommunications Assn. v. Brand X Internet Services, et al., 545 US __ (2005). Alcatel participated through the Telecommunications Industry Association, Brief of Amicus Curiae Telecommunications Industry Association in Support of Petitioners, filed Jan. 18, 2005.

² Kevin J. Martin, United States of Broadband, *Wall Street Journal*, July 7, 2005, A12..

³ For example, DSL providers must file DSL prices, terms, and conditions in their FCC Interstate tariffs, whereas cable modem providers do not. Moreover, DSL providers must collect and remit USF fees on their DSL service, whereas Cable Modem providers have no obligation to the Universal Service Fund. This disparity alone increases the effective price for DSL consumers when compared to cable modem consumers.

⁴ In the latest Commission report, coaxial cable accounted for 56.4% of the High Speed Lines in the U.S. compared to 40.4% for ADSL and "Other Wireline." See, High Speed Services for Internet Access: Status as of December 31, 2004, Federal Communications Commission, released July 7, 2005.

As the leading supplier of DSL and wireline broadband equipment in the global and North American markets, the current regulatory situation has a direct and significant impact on Alcatel's business. As of June 2005, Alcatel has shipped approximately 21 million DSL lines to North American customers, representing 60% of the North American DSL market. The continuing regulatory disparity places DSL at a competitive disadvantage, which impedes deployment by service providers and slows the growth in Alcatel's broadband access business. Elimination of this disparity will therefore have a direct, beneficial impact on our business and the telecommunications equipment market generally.

If you have any questions or comments concerning Alcatel or its advocacy in the broadband regulatory area, please do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in black ink, consisting of a long, sweeping horizontal line that curves upwards at the end, followed by a smaller, more complex mark below it.

Hubert de Pesquidoux
President and CEO
Alcatel North America